

Message Text

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PAGE 01 STATE 167349
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FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY SANA
USLO RIYADH

UNCLAS STATE 167349

ABU DHABI PASS DUBAI

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: VOTE ON TAXATION OF U.S. CITIZENS OVERSEAS

1. FOLLOWING IS TEXT OF WASHINGTON POST ARTICLE OF JUNE 30
WHICH WILL BE OF INTEREST TO ADDRESSEES.

QUOTE: TAX BREAKS ON OVERSEAS PAY EXPANDED

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PAGE 02 STATE 167349

A HOUSE WAYS AND MEANS SUBCOMMITTEE VOTED YESTERDAY TO
REPEAL A 1976 LAW THAT WOULD HAVE TOUGHENED THE TAX
TREATMENT OF AMERICANS LIVING ABROAD, AND INSTEAD APPROVED
LEGISLATION THAT WOULD ENLARGE THE ORIGINAL TAX BREAK
EVEN FURTHER.

THE MEASURE NOW IS SCHEDULED TO GO BEFORE THE FULL WAYS

AND MEANS COMMITTEE, WHERE LIBERALS ARE EXPECTED TO TRY TO TRIM IT BACK. THE PANEL IS HOPING TO PUSH THROUGH A COMPROMISE WITH THE SENATE BEFORE OVERSEAS TAXPAYERS HAVE TO FILE THEIR INCOME-TAX RETURNS IN AUGUST.

THE PRE-1976 LAW HAD ALLOWED TAXPAYERS WORKING OVERSEAS TO ESCAPE PAYMENT OF TAXES ON THEIR FIRST DOLS 20,000 IN INCOME, AND TO CALCULATE THEIR TAXES ON THE REMAINING SHARE AS THOUGH IT WERE THEIR FIRST SEVERAL THOUSAND

DOLLARS EARNED.

CONGRESS REDUCED THE TAX-FREE LIMIT IN 1976 AS PART OF A DRIVE TO CURB ABUSES. HOWEVER, MULTINATIONAL CORPORATIONS COMPLAINED THE BIGGER TAX BITE WAS MAKING IT DIFFICULT FOR THEM TO COMPETE WITH FOREIGN FIRMS. THE SENATE RECENTLY PASSED LEGISLATION TO ALLOW SOME NEW DEDUCTIONS.

THE BILL PASSED BY THE SUBCOMMITTEE NOT ONLY WOULD RESTORE THE PRE-1976 TAX BREAKS, BUT ALSO WOULD PROVIDE ADDED DEDUCTIONS SIMILAR TO THOSE IN THE SENATE BILL. END QUOTE.
VANCE

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